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# Agricultural Situation

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CURRENT SERIAL RECORDS

## PROSPECTS FOR WHEAT . . .

A larger crop plus a smaller carryover. It adds up to a supply about the same as last year's. That's the story for wheat during the 1965-66 marketing year that began July 1.

Production of all wheat in 1965 was forecast in August at 1,376 million bushels, 86 million above last year. Yield per harvested acre is indicated at 27.6 bushels, 1.4 bushel higher than in 1964. Yields of both winter and spring wheat are up. The acreage of all wheat for harvest as grain was estimated at 49.8 million acres, slightly larger than last year. The effective 1965 wheat allotment was 53.3 million acres, unchanged from 1964. The effective allotment includes increases allowed for farmers with small acreages.

The carryover of all wheat on July 1 totaled 819 million bushels, 82 million below a year earlier. A continued high level of exports, some gain in domestic disappearance, and a special acreage diversion program all helped to reduce stocks during 1964-65.

The Commodity Credit Corporation owned 647 million bushels on July 1, the smallest quantity in recent years. Another 80 million bushels were outstanding under loan from the 1964 and previous crops. The quantity of wheat in private hands—"free" stocks—on July 1 totaled an esti-

mated 92 million bushels, the highest in 3 years. Farmers held a large proportion of the July 1 free stocks.

The total supply of wheat in 1965-66 is currently placed at about 2,195 million bushels. However, a larger share of this year's supply is in private hands—1,468 million bushels. This "free" share of the supply includes the August estimate of the new crop, as well as free stocks.

Total disappearance of wheat in 1965-66 is expected to be around 1.4 billion bushels, somewhat above a year earlier and considerably above the 1958-62 average. The total includes estimates of domestic disappearance at about 670 million bushels and exports of around 750 million.

Food use of wheat in 1965-66 is placed at 510 million bushels, slightly above a year earlier. The decline in per capita consumption of wheat products in recent years is continuing to be more than offset by the gain in population.

Use of wheat for feed is expected to rise in 1965-66, in the neighborhood of 100 million bushels. The high level of 70 million bushels, calculated for last year, was the largest such use since 1953-54. Wheat was priced low enough in 1964-65 to compete with feed grains. The same price relationships are expected to exist this year—the loan rates

for 1965 crops of both wheat and corn are down 5 cents a bushel from last year with wheat continuing 20 cents a bushel above corn. It is expected that producers, after a year to become more familiar with the present program, will be even more inclined to feed wheat in 1965-66.

Some increase in commercial exports, and continued large Food-for-Peace shipments, indicate that exports of wheat and flour in 1965-66 may be near 750 million bushels. Last year, a larger than usual proportion of total exports was shipped under the Food-for-Peace Program and, as a result, Government-financed exports totaled an estimated 565 million bushels. Exports for dollars, placed at 160 million bushels, were slightly below average and well under the record level of 352 million in 1963-64.

Based on the foregoing estimates of supply and disappearance, carryover stocks on July 1, 1966, are expected to decline for the fifth consecutive year. They may fall below 800 million bushels but even at that level they would still be equivalent to one and a half year's domestic needs in the United States.

The season average price to farmers for wheat in 1965-66 is expected to be slightly above the national acreage loan rate of \$1.25 per bushel. The 1964-65 season average price was \$1.37 per bushel, 7 cents above the announced loan rate but only 5 cents above the prevailing rate after freight adjustments.

## World Production

It looks as though the world wheat crop will be a bumper one this year. Record and near-record production is likely in most of the principal wheat-producing countries in the Northern Hemisphere, but may be offset a little by less optimistic prospects in the Southern Hemisphere.

North America is expecting good crops, led by a large U.S. harvest and the possibility of a record output in Canada.

Wheat production in Europe is expected to be near the high level of 1964.

Soviet Russia's wheat crop is estimated to be 12 to 15 percent higher than in 1964.

William R. Askew  
*Economic Research Service*

## Wheat Output By Classes

The average wheat production of 1960-64 was nearly half again the average output of 1920-24. But that's not the whole story—the proportions of the various classes, of the total wheat produced, have changed considerably, too.

Hard red winter wheat has always accounted for the largest share of total production and it gained over the years to a high in 1961 but has declined somewhat in recent years. In 1920-24, hard red winter averaged 37.8 percent of the total crop, and in 1960-64, 53.5 percent.

The second-place wheat class is soft red winter. It accounted for an average of 26.9 percent of total output in 1920-24, 16.4 percent in 1960-64.

Hard red spring wheat, as a percentage of the total crop, has also been declining. It accounted for 19.0 percent in 1920-24, compared with 13.2 percent in 1960-64.

Durum wheat's share dropped even more drastically. Durum was only 3.9 percent of overall production in 1960-64, down from 7.2 percent in 1920-24.

Production of white wheat has followed the trend of the hard red winter class, with increases in both the crop and proportion of all wheat it comprises. Compared with 75 million bushels or 9.1 percent of the total crop in 1920-24, it averaged 159 million and held a 13 percent share during 1960-64.

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# WORLD GRAIN TRADE . . .

## Future Depends on Negotiations

With the time-consuming, seemingly endless job of harvest at hand, it's hard to think about the long-term prospects of marketing grain. But with the Kennedy Round trade negotiations going on these days and the results of past agreements at hand, we should still try to find the time to consider what is happening to the international grain market.

International trade isn't something we can afford to ignore. In recent years, wheat has become our leading agricultural export—two-thirds of the annual crop is shipped abroad. During fiscal 1964, total exports of all U.S. grains accounted for 42 percent of total U.S. farm exports. So, even though trying to understand the working of the international market may seem like trying to untangle a hank of yarn, we may find the task is necessary if we are to expand sales of grain abroad.

Several basic changes have taken place in the international grain trade since the end of World War II. For one, trade as a whole has been expanding and the U.S. share of world exports has increased remarkably since the early 1950's, while world prices have been relatively stable. The expansion in world trade has been in wheat and feed grains—fiscal 1964 exports were nearly three times the pre-World War II average. Postwar trade in rice has yet to reach the level of 1935-39.

Another important change in world grain trade is the shift in its pattern. Imports to Western Europe have been steadily declining relative to those moving into Eastern Europe and the developing countries of Asia, Africa, and Latin America.

Part of the indications for future grain trade are in the European Economic Communities' grain agreement. In December 1964, member countries agreed that unified target or wholesale prices for wheat and feed grains would take effect in July 1967. These unified prices will serve as the basis for

determining future threshold prices for all the EEC nations. They will be used to calculate the import levies assessed on countries exporting grain to the EEC.

The uniform target prices generally represent a compromise between the lower and higher prices for grain now prevailing in the EEC. From our standpoint, they are likely to affect our market for feed grains less than for wheat. As agreed upon, the unified prices will exceed current world prices for individual grains by 50 to 70 percent. These prices will be a strong incentive for farmers in the EEC countries to expand production, thus reducing the need for imports from other nations.

However, the EEC grain agreement is far from unique—every country in the world regulates the import and export of grain to some degree. The price differences or markups between import and domestic sales prices in several other importing countries of Western Europe and Japan are even greater than those anticipated under the EEC unified price policies.

It looks as though there is no simple way to tangle with the world grain market. Further consideration of some form of international cooperation in feed grains and rice might help to make international marketing more orderly. Several FAO groups have held extensive discussions on export regulations, international buffer stocks, and multilateral contract agreements for rice and coarse grains. The International Wheat Agreement, in providing a forum for international discussions, has undoubtedly contributed a great deal to the stabilization of world wheat prices and trade. However, there are many people who feel that it isn't a perfect model for coping with future problems in the international grain trade.

Frank D. Barlow, Jr.  
*Economic Research Service*





# GRAIN HAULS ... TRUCKS GAIN

From Ohio to Nebraska and from Minnesota to Missouri, this year's grain harvests are rolling into hundreds of country elevators. Needless to say, much of this grain will be shipped elsewhere for marketing, and perhaps storage, before harvest time next year.

If 1965 is like most other years, grain produced in the North Central Region will leave the area by several means—rail, truck, and barge. The most likely choice is rail, but trucks will carry a large share, too, one that has been growing in recent years.

During 1963, nearly 41 percent of all commercial grain leaving country elevators in the North Central Region was shipped by truck. During 1958, the figure was about 30 percent. During the same 5-year period, barge shipments increased from 1.4 percent to 2.1 percent of the total. These gains were particularly important for corn, soybeans, wheat, and oats.

Rail transport of grain still accounted for the lion's share of total shipments from the North Central States in 1963, more than 57 percent, but this share had declined from over 68 percent in 1958.

Trucks have made inroads on the

grain transport business largely because they have offered rates and services on some hauls that attract traffic from the rails. The change in rail rates and services in some areas has been such that trucking firms have often been able to offer elevator operators a much better deal for hauling their grain than the rails could.

Part of the grain handled by country elevators is sold locally or belongs to the Government (Commodity Credit Corporation), and neither are significantly affected by changes in transportation. Local sales are primarily to livestock feeders in the area and are likely to be picked up at the elevator in the feeders' trucks. Shipments of Government grain move primarily by rail to major storage locations.

Part of the rise in truck shipments of grain was due to the use of trucks owned or hired by country elevators for hauls to terminal or river elevators nearby. Trucks owned or hired by grain buyers were used when the country elevators were supplying feed grains to feed-deficit areas in the Far West and Southeast.

Bruce H. Wright  
*Economic Research Service*

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## MOST OF OUR GRAIN IS STORED

### In Country Elevators Near Production Areas

Nearly 5.4 billion bushels. Such a large figure staggers the imagination. That's the current capacity of all the commercial grain elevators in the United States. However, the capacity actually available to store grain is about 4.5 billion bushels because an elevator generally needs part of its space for moving grain in and out and within the facility.

Since 1962, the volume of off-farm commercial grain storage has remained rather constant. From 1951 to early 1962, capacity rose steadily from 2.2 billion bushels to 5.5 billion. The space now available is likely to be sufficient to take care of most storage needs in the foreseeable future.

Because the grain carryovers have been declining in recent years, the difference between the high level of storage just after harvest and the low just before the next harvest has been much greater than in the past. For example, stocks filled nearly 63 percent of the storage space in January 1964—less than 41 percent was filled 6 months later.

Government-owned grain occupies much of the capacity in commercial grain storage. On December 31, 1964, the Commodity Credit Corporation owned about 1.6 billion bushels of the grain stored in commercial elevators and warehouses. At peak level in 1960, CCC had nearly 3 billion bushels in commercial storage facilities.

Government-approval grain storage capacity was highest at 4.9 billion bushels in 1961, roughly double the amount in 1956. The increase in space during 1956-61 took care of the large Government grain carryover during this period. By 1964, Government-approved storage capacity had dropped to 4.6 billion bushels, or about 3.8 billion in available space. The Government approves space for storage of CCC grain under Uniform Grain Storage Agreements.

Grain usually enters commercial storage at country elevators in the major grain-producing areas. Terminal elevators are generally within the major production areas, too, but may be a considerable distance from many of the country locations.

The Northern Plains wheat-producing area accounts for nearly a third of the total commercial grain storage space available; half is in Kansas. Storage capacity in the Midwestern corn and soybean belt takes in another third of the total space while the South-

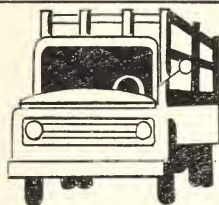
ern High Plains wheat and grain sorghum areas provide about a fourth. The West, producing mainly wheat and barley, has about 8 percent of total storage capacity.

During the year beginning July 1, 1963, the average monthly quantity of all grain stored in commercial facilities was 2.8 billion bushels. Peak volume was nearly 3.4 billion bushels in January 1964 with the low at 2.3 billion in June. Wheat accounted for 48 percent of the total; grain sorghum and corn 42 percent. The rest of the space held soybeans, barley, oats, rye, flaxseed, millet, dry beans, and dry peas.

Country elevators held nearly two-thirds of the 1963-64 grain inventory with the remainder stored at terminals.

Total country elevator storage capacity is divided about evenly between upright tanks (usually concrete) and flat (mostly steel) structures. About 60 percent of terminal capacity is upright tanks.

Allen G. Schienbein  
*Economic Research Service*



**Farm Go-power:** Next to your tractor, your truck is probably your most important piece of equipment. Trucks are so important to agriculture as a whole that 29 percent, well over 3.6 million, of all such vehicles registered in the United States at the time of the 1963 Census of Transportation were used by farmers. Nearly two-thirds were pickups—which makes it clear that the bulk of our crops and livestock has to be hauled to market in nonfarm vehicles.

Region	Pickup	Platform and cattle rack	All body types
North Atlantic.....	119,476	87,893	244,397
East north central.....	372,004	186,924	580,620
West north central.....	501,180	324,605	848,886
South Atlantic.....	322,639	103,464	449,213
South central.....	757,278	219,539	1,000,243
West.....	312,900	219,278	552,426
Total.....	2,382,477	1,141,703	3,675,785

# THE BILL FOR MARKETING

The next time your wife goes grocery shopping, go along. And while she's in the supermarket or grocery, take a good look yourself. Most of the foods on display are a far cry from the state in which they left your farm and the farms, ranches, and orchards of the other 3-million plus producers across the Nation.

The change from the grocery store of just a few years ago to today's modern food market with its array of packaged, often prepared, and sometime pre-cooked foods wasn't accidental. A good deal of the credit for the change goes to the consumer. Most housewives like their pork chops cut all the same size, packed four or five in a tray, their potatoes scrubbed, graded, and ready for them in a plastic sack, their other vegetables frozen and ready-to-cook in little rectangular boxes. Most farm wives like these conveniences, too, and you really can't blame any homemaker.

But the rub comes with the bill for all these services. It is part of the reason that you get only about a third of what the consumer pays for your products. Last year alone, the bill for marketing farm foods (all the expenses of selling, transporting, processing, packaging, wholesaling, retailing, and the like, that occurs between your front gate and the consumer's dinner table) came to \$47.3 billion. And the 1964 marketing bill was up 4 percent from a year earlier—due mostly to a gain in the volume of food handled though. Total civilian expenditures for farm foods during 1964 came to \$69.8 billion. Farmers received about \$22.5 billion, or about a third of the total.

Returns to farmers from the money consumers spent for food last year were up about 4 percent from a year earlier. This rise was mainly the result of larger marketings, particularly of livestock. Prices for potatoes, several fresh vegetables, and oranges for processing were quite a bit higher in 1964, too.

The major components of the marketing bill are labor, transportation, corporate profits, and other costs such as advertising, depreciation, taxes, transportation, rents, interest, packaging materials, fuel, and electricity. Di-

rect labor costs for marketing farm foods came to \$20.8 billion in 1964, 44 percent of the total bill. They were up 3 percent from 1963. Hauling farm foods by rail and truck cost \$5.1 billion in 1964, profits (before taxes) of corporations handling food products amounted to \$2.7 billion, and other costs (such as fuel, electricity, packaging, materials, interest, and the like) came to \$18.7 billion.

Forrest Scott  
*Economic Research Service*

## Cigarettes . . .

### The Farmers' Share

Americans spent \$7.1 billion on cigarettes last year, an average of 28.6 cents for a standard pack.

About \$3.2 billion of the money spent for cigarettes last year, roughly 13 cents a pack, was the cost of manufacturing and marketing them. Federal, State, and local excise taxes accounted for about \$3.3 billion. Tobacco producers got the rest—\$0.6 billion—an average of 2.6 cents a pack.

More than half of the \$3.2 billion for marketing cigarettes went to the manufacturers. This covered the costs of assembling, stemming, redrying, storing, and aging the tobacco, as well as the actual expense of making the cigarettes. The manufacturers' share of the marketing bill also included the cost of getting the finished product to wholesalers or retailers. During 1964, manufacturers' charges came to about 7 cents per pack.

The wholesaling-retailing bill is the difference between the manufacturers' gross receipts, including Federal excise taxes, and the amount that consumers spent for cigarettes, less State and local taxes. In 1964, this portion of the marketing bill was roughly 6 cents per pack.

Excise taxes on cigarettes were 46 percent of the amount consumers spent last year, an average of 13 cents per pack. The Federal levy was 8 cents; the rest was State and local.

Virginia N. Farnsworth  
*Economic Research Service*



## Ag Ads

When consumers buy milk or bread, or any other farm-produced food, they generally buy a particular brand. And at least part of the reason they chose A Dairy's milk over B Dairy's product of equivalent quality and price is A Dairy's advertising.

Not only has advertising had an important role in merchandising food, as well as thousands of other products, it has been getting more important. As a result, the cost of advertising food and similar products came to nearly \$2.2 billion in 1964. Ten years earlier,

advertising expenditures by the food industry were only \$796.1 million.

Of the food industry groups, manufacturers spent the most on advertising during 1964—almost \$1.4 billion. However, the share of the total spent by manufacturers in comparison with the wholesalers and retailers has been gradually declining.

Retailers were the next largest spenders last year. Their advertising bill came to \$673.2 million. Retail food firms have rapidly increased their share of total industry advertising expenditures.

Wholesalers spent \$108.6 million on advertising last year.

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## MEATPACKERS' COSTS ...

### Squeeze Profit Margins

Anyway you look at him, the meat-packer is the man in the middle. Both farmers and housewives are sometimes of the opinion that packers make a considerable profit at their expense. However, a recent survey during fall and winter 1963-64 of a number of commercial packers in the eastern and western Corn Belt and in the Southeast and the Southwest throws some light on the situation. In spite of the fact that 1963 and 1964 were good years for packers in terms of gross earnings per 100 pounds of wholesale meat, they were left with relatively small margins, compared with the early fifties, after they paid their expenses.

During the first part of the survey period (September-November 1963), beef packers paid an average of \$36.72 per 100 pounds of wholesale products for livestock and carcasses. Their returns were \$40.59 (including the value at the plant of byproducts before processing), leaving a spread of \$3.87. After operating costs and delivery charges were subtracted, a partial net margin of \$1.26 remained. However, the packer still had to pay interest, taxes, and a return to investment before collecting any net profit.

During the second part of the survey period (December 1963-February 1964), the pickings were leaner. Packers paid \$34.65 per 100 pounds of

wholesale products, received \$38.68 for them, paid \$2.99 in operating costs and delivery charges, and wound up with a partial net margin of \$1.04.

Despite considerably higher operating costs in both survey periods, packers of fresh pork had higher partial net margins than did the beef operations. However, margins for pork packers also dropped from fall to winter. During September-November 1963, the pork packers in the survey paid an average of \$26.25 for hogs and carcasses. Their returns (including the value at the plant for byproducts) were \$31.87 and operating costs and delivery totaled \$4.34. As a result, the partial margin was \$1.28.

During December 1963-February 1964, packers of fresh pork items averaged \$25.31 in costs of livestock, \$31.13 in returns, \$5.82 in operating and delivery costs, and \$1.22 in partial net margins.

Packers' costs of buying cattle (not including the cost of the cattle) averaged about 0.12 cent per wholesale pound during September 1963-February 1964. Costs of selling beef to wholesale and retail customers averaged 0.16 to 0.19 cent. The costs of buying hogs ran about 0.16 to 0.18 cent per wholesale pound and selling pork cuts to wholesale and retail outlets came to about 0.33 and 0.35 cent.

# SOMETHING OLD, AND NEW . . .

## In Techniques for Ag Estimates

The volunteer crop reporter has long been the backbone of USDA's crop reporting system. The regular flow of mailed reports from the farmer to the State statistician has been in the past and is today the chief basis for most of the official estimates of crop acreage and production. However, various other sources have been used over the years to supplement the mailed reports from farmers and to help translate the individual farm reports into accurate State and National totals. For example, reports from cotton ginneries are useful for checking levels of production after the cotton crop has been harvested and sold.

Recently a new method known as the Objective Yield Survey was developed to supplement the mailed reports for several major field crops during the growing season. More than 9,000 farms in 39 States are involved in the objective yield surveys on corn, cotton, wheat, and soybeans this year. Modern sampling methods are used to select a scientific sample of fields which will properly represent all producing areas in the State. Aerial photographs are used to identify each sample field and pinpoint its exact location. Highly trained enumerators then make counts and measurements in these fields at monthly intervals.

The enumerator talks with the farmer on his first and last visits. He asks planting and harvest dates, varieties planted, acres for harvest, expected production, harvest losses, and amount of fertilizer used.

On his first visit to each field shown on the aerial photo the enumerator lays out two small plots. His instructions indicate that the plots are a given number of rows from the corner of the field along its edge and so many paces into the field along the rows. He may not vary the location. This insures a cross section of good, medium, and poor crop conditions to give the survey proper balance.

The enumerator uses florist stakes and flagging tape to mark the location

clearly so that it can be found on later visits. He then measures the distance across several row spaces and counts the number of stalks or plants inside the plot for each row. These measurements and counts are used to estimate the number of stalks or plants per acre.

The enumerator returns to the same fields and observes the same sample plots each month until the crop is mature. On each of his visits the enumerator counts the stalks or plants in the plots. As the crop develops, he makes other observations such as measuring the length of ears of corn, counting the spikelets in some wheat heads, weighing a few bolls of cotton and counting and weighing soybean pods. He examines the sample plots for insect and disease damage and for stage of maturity each month. These counts and measurements are used by the statisticians to forecast probable crop yields.

When the crop is mature the enumerator carefully harvests the plots, weighs the production, and sends a sample of the crop to the laboratory for moisture tests and other determinations. After the farmer harvests the sample field, the enumerator comes back and gleans some small plots to find out how much of the crop was left in the field. Losses due to harvesting and other factors amount to about 7 to 10 percent of the production for these major crops.

Field and laboratory counts are reviewed in the State statistician's office. High speed computers are used in Washington to derive State and National yield estimates from the objective yield survey. The results from this system are used during the growing season along with data from the mailed surveys in setting the official estimates of yield and production for the monthly crop reports.

Both the familiar mailed survey and the newer objective yield survey depend upon the voluntary cooperation of growers.

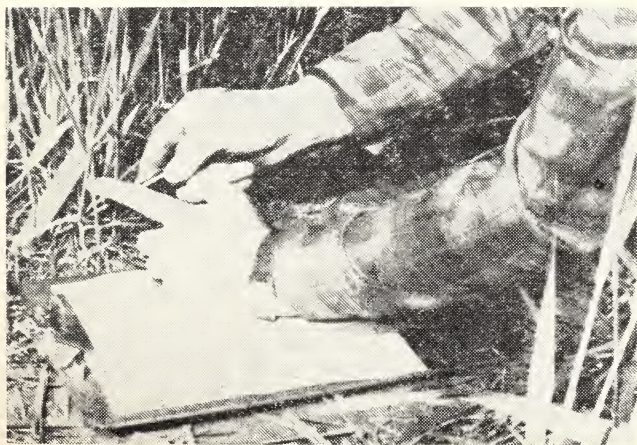
Bruce M. Graham  
*Statistical Reporting Service*





**CORN:** A sample corn unit consists of two rows 15 feet long. The enumerator counts the stalks and measures the length of sample ears over the husk. Sample plots are harvested and weighed at maturity. A few ears are checked in the laboratory for shelling percentage and moisture content. Post harvest counts indicate harvesting losses.

**SOYBEANS:** A soybean sample plot, one of many, is laid out within a steel frame 3 feet long. All plants in the plot are counted each month. Blooms and pods on a few individual plants are also counted. Each monthly survey of the sample plots helps the statisticians to determine prospective yield and production for the Nation as a whole.



**WHEAT:** The enumerator uses a U-shaped frame to lay out a plot in a randomly selected wheat field. Each plot is about  $\frac{1}{10,000}$  of an acre in size. Florist stakes mark the rows for identification on later visits. Each individual wheat stalk inside the small plot is counted and the maturity stage is recorded on the enumerator's monthly visits during the growing season.

# ag outlook

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Based on Information Available on September 10, 1965

## FEED GRAIN PRODUCTION

The 1965 feed grain crop, on the basis of September indications, will total a record-high 160 million tons, 17 percent above last year, and slightly higher than the big crops of 1960 and 1963. A small reduction in harvested acreage was more than offset by prospects of a record-high yield per acre. The sharp increase in yield this year follows a 6 percent decline last year from 1963 and resumes the upward trend of earlier years.

## FEED GRAIN PRICES

Feed grain prices so far in 1964-65 have averaged 6 percent higher than a year earlier and are the highest since 1956-57. With larger production in prospect and with lower loan rates, prices this fall and winter may average a little lower than in 1964-65. The 1965 Feed Grain Program provides for a continuation of CCC feed grain sales at not less than the 1965 loan rates plus carrying charges.

## MILK OUTPUT

Total milk production for 1965 may approximate last year's 126.6 billion pounds, if output per cow gains over a year earlier in August-December and the decline in the number of milk cows is near last year's rate. August-December milk output then would total about the same this year as in 1964. During this period last year, production rose from less than 1 percent above 1963 in August and September to 2.7 percent above in December.

## EGG PRICES

During August, farmers received an average of 34.0 cents a dozen for eggs compared with the seasonal low of 29.4 cents in May and 34.8 cents in August 1964. However, over the next few months, prices are expected to rise seasonally. They are likely to be higher than a year ago



this fall and winter and reach a peak later than in 1964. During January–March, prices averaged 5.5 cents under a year earlier; during March–August, they averaged only slightly under 1964 levels.

## APPLE CROP

The 1965 commercial apple crop was forecast as of September 1 at 133.2 million bushels, 4 percent below 1964 but 9 percent above the 1959–63 average. The largest declines from last year are in the Western States, especially California, where the crop is down 35 percent. In Washington, the leader in production, the prospective crop of 24 million bushels is down 6 percent. In other leading States: Expected production is up moderately in New York and Virginia; down moderately in Pennsylvania and Michigan.

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## SOYBEAN OUTLOOK . . .

### Prices Likely to Average Near Support

The carryover of old-crop soybeans on September 1, 1965, is estimated at around 30 million bushels. Except for 1961 when the carryover was 27 million bushels, current stocks are the smallest since 1956.

However, the present tight situation will vanish when the 1965 soybean harvest gets into full swing this fall. Based on August 1 conditions, the new crop is estimated at 864 million bushels. The 1964 and 1963 crops totaled 700 million bushels each. The acreage to be harvested for beans this year is up 13 percent and yield prospects, at nearly 25 bushels per acre, are up over 9 percent.

The estimates of the new soybean crop and the September 1 carryover add up to a total 1965–66 marketing year supply of 894 million bushels, roughly 17 percent more than the 767 million in 1964–65.

If 1965 production is as large as expected, prices to growers during the heavy harvesting season this fall probably will average close to the 1965 national support rate of \$2.25 per bushel (unchanged from the 1964 rate).

Last September–December, prices for 1964-crop beans averaged \$2.59 per bushel, 34 cents above the support rate, reflecting the close balance between the

1964–65 supply and the prospective season's requirements. The seasonal variation in soybean prices during 1965–66 is expected to follow a more normal pattern, with prices lowest at fall harvest time and highest in the spring.

Use of soybeans is expected to rise during 1965–66, continuing the long-term trend. Crushings are likely to gain around 10 percent from the 475 million bushels now estimated for 1964–65. The lower soybean prices in 1965–66 are expected to stimulate bean exports to a new high also—perhaps 7 to 10 percent above the 215 million bushels estimated for 1964–65. These early season prospects indicate a substantially larger end-of-year soybean carryover on September 1, 1966, than the unusually small stocks now estimated for this September 1.

### Change in Marketing Year

The 1965–66 marketing year for soybeans will begin on September 1—instead of October 1, as in the past—and end August 31 rather than September 30. The change is due primarily to the trend to earlier harvest with an increasingly larger share of the crop picked in September.

George W. Kromer  
*Economic Research Service*

# FARM REAL ESTATE VALUES . . .

## Continue Creeping Steadily Upward

Farm real estate market values per acre showed about the same rate of increase in the 12 months ended March 1, 1965, as in the same period a year earlier. The national index was 139 as of March 1 (1957-59 = 100), 6 percent above a year earlier and 1.5 percent above November 1, 1964.

The gain in average value per acre added \$8.6 billion to the estimated total market value of all farm real estate. It was \$159 billion as of March 1, equivalent to \$52,200 per farm and \$146 per acre.

The land market situation in March was basically unchanged from a year earlier—the supply of land up for sale continued to be limited with demand remaining generally strong. The supply of credit available to finance farm purchases was adequate and interest rates were essentially unchanged. Farmers, farm real estate dealers, employees of farm credit agencies, and the like, who report farm real estate data were generally optimistic that the upward trend in land prices would continue through late summer 1965.

Land buyers during March 1964–March 1965 continued to be chiefly farmers. Most were adding to the land they already owned. Many of these farm operators were already farming substantially more land than they owned which suggests that some may have bought land they had rented or were buying acreage to make up for the loss of rented land.

About a third of the buyers who hadn't owned land previously were tenant farm operators. The remaining buyers were nonfarmers. However, half of them intended to farm the land they acquired.

Residual returns to land have increased at about the same rate as have market values since 1960. The average rate of return on market values for 1960–64 was 5.0 percent before allowing for a return to management, and 3.5 percent afterward. The corresponding rates for 1964 were 4.3 percent and 2.9 percent. The share of

total farm income that can be allotted to land increased almost steadily since the mid-1950's and has about matched the rise in land values. However, the decline in the number of farms and in labor requirements has been responsible for most of the gain; total net farm income hasn't changed much.

## Changes in State Values

In contrast to the 6-percent rise in farm real estate values for the Nation during 1964–65 those for some individual States were considerably higher. Alabama and Georgia led with increases of 11 percent each, followed by Maryland with 10 percent, and Florida and Mississippi with 9 percent. As a result, the Southeast was the leading region with an overall average gain in value of 10 percent.

William H. Scofield

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### LAND OF CONTRASTS

California is a State known for contrasts and land values are no exception. Because of the extremely wide range in the kinds and uses of land, market values range from less than \$100 an acre for grazing land in the northern part of the State to \$10,000 or more for citrus groves in the path of urban development in southern California.

However, about half of the total value of farm real estate in California is in 5.3 million acres of irrigated land devoted to bearing orchards, vineyards, and groves, and to field crops.

The 1.2 million acres in orchards and the like averaged \$2,715 per acre in value on March 1, 1965, about 6 percent above a year earlier. Irrigated land used for crops averaged \$1,200 per acre, but ranged as high as \$3,375.

# Financing Land Purchase\$e\$

The increased use of credit and a gradual easing of the terms under which loans are made has been closely allied with and partly responsible for the long-term rise in prices for farmland. Nearly three-fourths of the land sold during March 1963-March 1964 (according to a periodic survey of the farm real estate market) was purchased with the help of credit. The amount of debt incurred averaged 71 percent of the purchase price. Both of these averages have crept steadily upward for more than a decade and were at record highs in 1964.

Four types of lenders provided the financing for 80 percent of the land bought on credit in the year ended March 1, 1964. These were sellers, Federal land banks and insurance companies, and commercial banks.

Each of these types of lenders fills the needs of a particular class of buyer, or a particular geographic area. Sellers largely meet the needs of low-equity buyers with installment land contracts. The Federal land banks and the insurance companies tend to specialize in larger loans to borrowers able to make substantial downpayments. Commercial banks play an immediate role with shorter-term loans.

Despite the commercial and govern-

ment loan sources available, sellers continue to be the largest single source of credit for farmland. They financed 39 percent of all sales of farm real estate during 1963-64. Nearly three-fourths of such financing was by installment land contracts rather than conventional mortgages or deeds of trust. The average downpayment on land contracts was 23 percent during 1963-64. Downpayments on commercial loans averaged 35 percent.

Commercial banks are the next most important source of farm mortgage credit, particularly in the Northeast and Appalachian Regions. During 1963-64, they financed an estimated 18 percent of all credit purchases of land.

Insurance company financing accounted for 14 percent of total land credit during the year ended March 1. This source is particularly important in the Corn Belt, Northern Plains, Delta States, and Southern Plains Regions.

Other sources of farm mortgage credit include the Farmers Home Administration, local savings and loan associations, and commercial mortgage companies. As a group, these lenders are most important in the Southeast, Delta, Southern Plains, Mountain, and Pacific Regions.

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## Rural People Still Lack "Conveniences"

"If you've never had it, you don't miss it" may well be the way rural families feel about having modern conveniences. Residents of rural areas have long lagged behind their urban counterparts in having such things as cars, telephones, hot and cold running water, and sound housing and this was still true at the time of the 1960 Census of Population.

A car was the only one of the four level-of-living indicators that more rural than urban households reported having. The proportion of families reporting all four items was 44 percent for farm residents, 60 percent for rural-nonfarm households, and 73 percent for those living in urban areas.

As might be expected, differences in level-of-living were closely related to

the occupation of the head of the household and to the family's income. For example, among families with incomes of less than \$5,000, 6 out of 10 households headed by white-collar workers reported all 4 indicator items. About 4 out of 10 farm operator households with incomes in this range reported having all four conveniences. And only 31 percent of all families with incomes of less than \$3,000 reported all items; 74 percent of those with more than \$3,000 in annual income were in this group.

Age made a difference in level-of-living, too. In general, households headed by a male worker 35-54 years old had the highest proportion of each of the four items—cars, telephones, hot and cold running water, and sound housing.



# FARM PRODUCTION IN 1964 . . .

## Slipped Slightly, But Efficiency Rose

Nineteen-hundred and sixty-four was a year of both ups and downs in farm production. Despite the fact that a larger acreage of crops were harvested and livestock production was the largest of record, the volume of farm output declined for the first time in 7 years. However, the actual reduction was only 1 percent.

Although crops were harvested from 301 million acres last year, compared with 300 million in 1963, production was down 3 percent from the year-earlier record. (Cropland used for crops totaled 334 million acres, down a little from the 336 million in 1963.)

Feed grain output dropped 12 percent in 1964 because of a 7 percent reduction in acreage harvested and smaller yields per acre. Food grain production rose 12 percent because of increased acreage and higher yields. Output of oil crops was the same as a year earlier. Sugar crops set the only new record for 1964; output was 1 percent above 1963.

Again, despite an overall drop of 3 percent in crop production per acre, some yields rose substantially. Those for peanuts, rice, tobacco, and barley broke previous records; tobacco averaged over a ton—2,066 pounds—per acre for the first time.

The rundown for production of livestock and livestock products in 1964 was less negative than for crops. Overall output hit a new high and was 2 percent above the previous year. Meat animals and poultry products shared the honors for records while dairy products equaled their 1962 record. The gain in red meat output was due to increased production of cattle and calves which more than offset decline in output of hogs and sheep. In the poultry line, eggs, broilers, and turkeys all set new marks.

Animal units of breeding livestock on farms January 1, 1964, were 1 percent greater than a year earlier for the fourth consecutive year. Livestock production per breeding unit reached a new high, 1 percent above 1963. The

average rate of lay in 1964 was 217 eggs, compared with 213 in 1963, the previous record. Milk production per cow was 7,880 pounds, a gain of 4 percent and the largest gain in 6 years.

The total volume of inputs used by farmers in 1964 increased slightly last year. Largely because of a reduction in operator and unpaid family labor, nonpurchased inputs declined 4 percent. (Labor used on U.S. farms totaled about 8.4 billion man-hours in 1964, below any previous year and 4.5 percent below 1963.) Purchased items (such as fertilizer, lime, pesticides, gas and oil) rose 5 percent.

Use of fertilizer really skyrocketed during 1964. More than 8 million tons of the 3 principal plant nutrients (nitrogen, phosphorus, and potassium) were used, a gain of 11 percent over a year earlier. Use of nitrogen alone rose about 12 percent.

Farm Prod. Econ. Division  
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### 33 FOR DINNER???

Better tell the wife. She might like to help visualize the 32 persons, in addition to yourself, that you helped to feed and clothe and to provide with cigarettes, cigars, and pipe tobacco during 1964. And if they really did all come for dinner, five of them would have quite a trip coming from some of the dozens of countries around the world where our farm exports were shipped.

The number of people the average farmworker supplies farm products is one way of showing how much more efficient farming has become over the years. For example, a hundred years ago the average farmworker took care of only 4 others in addition to himself. Ten years ago, the comparable figure was 17 extra people, only a little more than half the current average.



## U.S. vs. U.S.S.R.

John Q. Farmer and Ivan S. Collective-worker. When it comes to agricultural productivity, how do they compare? Here's a rundown for 1963:

Number of farms—United States, 3.6 million; U.S.S.R., 38,772 collective farms and 9,176 State farms. Land per farm—United States, 325 acres; U.S.S.R., 32,470 acres per collective and 147,300 per State farm.

Workers per farm—United States, 1.4.; U.S.S.R., 411 per collective, 775 per State farm.

Tractors on farms—United States, over 4.6 million; U.S.S.R., 1.4 million. Trucks—2.9 million, 922 thousand. Combines—1.0 million, 517 thousand.

Total use of commercial fertilizer (in terms of principal plant nutrients)—United States, 9.5 million tons; U.S.S.R., 3.6 million. (Per acre figures are 62 pounds, 15 pounds.)

Sown cropland—United States, 309 million acres; U.S.S.R., 540 million.

Yields per acre for corn in the U.S.S.R. were only a third of the U.S. average of nearly 68 bushels; wheat yields were 36 percent. However, cotton lint per acre averaged 637 pounds in Russia, 123 percent of the U.S. figure for 1963. (And in fairness, we should note that U.S. output was record high in 1963 while production in the Soviet Union was the lowest since 1958.)

### NEXT MONTH . . .

They sell your milk, wool, fruit, and dozens of other farm products, supply your fertilizer, twine, insurance, gas and oil, and electricity, provide credit for a new tractor, a new farm, or any other supplies you need, and perform hundreds of other jobs and services for you. Obviously, they're your farm cooperatives.

In recognition of the many services cooperatives perform, Secretary of Agriculture Orville L. Freeman has announced October as Cooperative Month, a chance for all of us to think about how useful such organizations are to agriculture.

September 1965

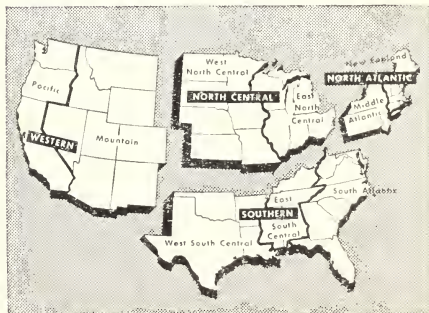
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